Ageas Pensões

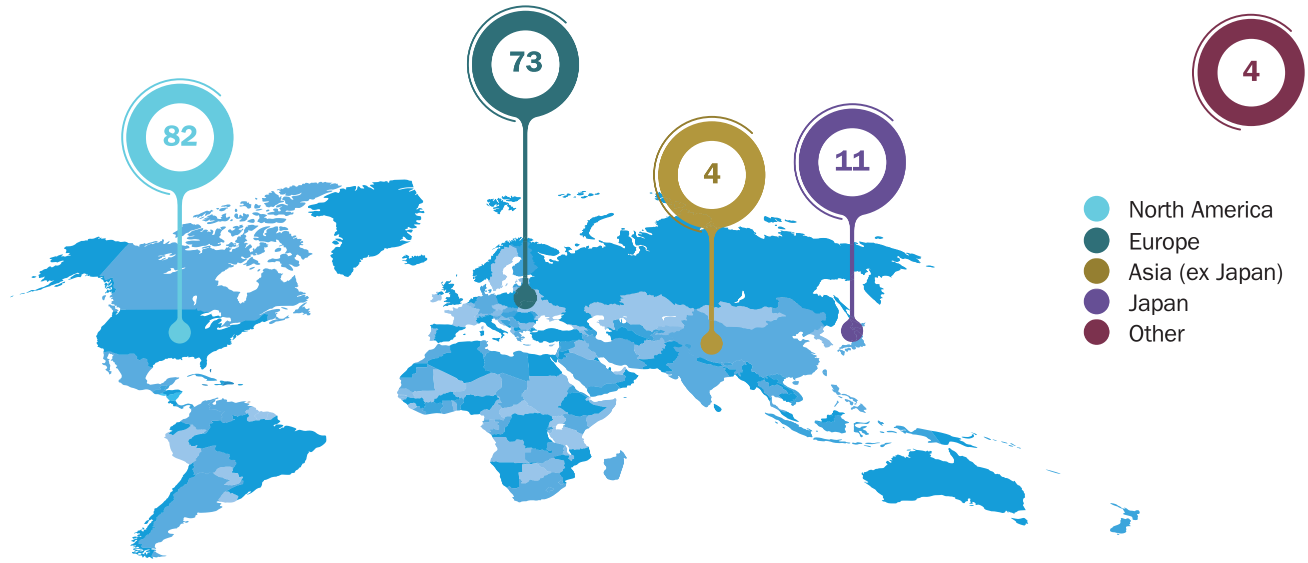
Q4 2022

The purpose of the ***reo***® (responsible engagement overlay) * service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The ***reo***® approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities.

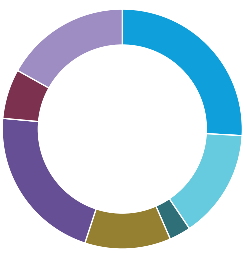
Engagement this quarter

Engagement	Companies Engaged	Milestones achieved	Countries covered
263	174	66	22

Companies engaged by region

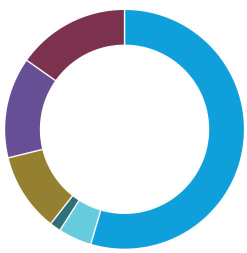


Engagement by theme **



Climate Change	127
Environmental Stewardship	72
Business Conduct	14
Human Rights	57
Labour Standards	105
Public Health	33
Corporate Governance	83

Milestones achieved by theme



Climate Change	36
Environmental Stewardship	3
Human Rights	1
Labour Standards	7
Public Health	9
Corporate Governance	10

* ***reo***® is currently applied to €1.11tn / £974bn / US$1.08tn* as at 30th Sept 2022.

** Companies may have been engaged on more than one issue.

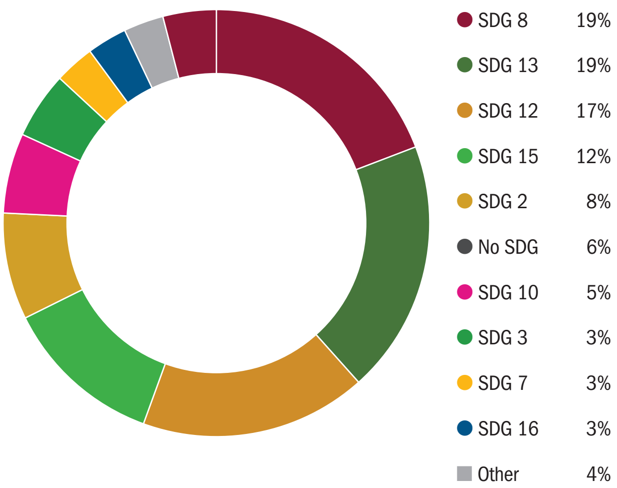
COLUMBIA THREADNEEDLE INVESTMENTS

Engagements and Sustainable Development Goals (SDGs)

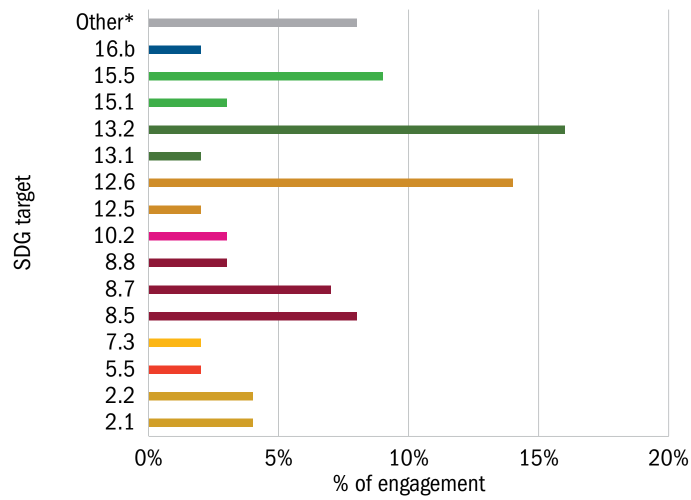
The 17 Sustainable Development Goals (SDGs) were developed by the UN and cross-industry stakeholders with a view to providing a roadmap towards a more sustainable world.

We use the detailed underlying SDG targets to frame company engagement objectives, where relevant, as well as to articulate the positive societal and environmental impacts of engagement. Engagements are systematically captured at a target level, to enable greater accuracy and achieve higher impact.

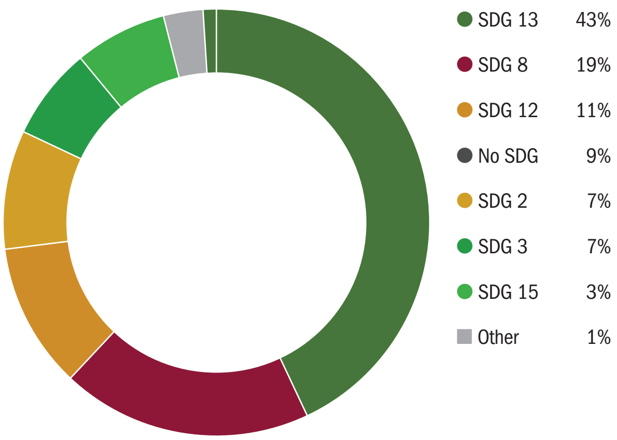
Engagement: SDG level



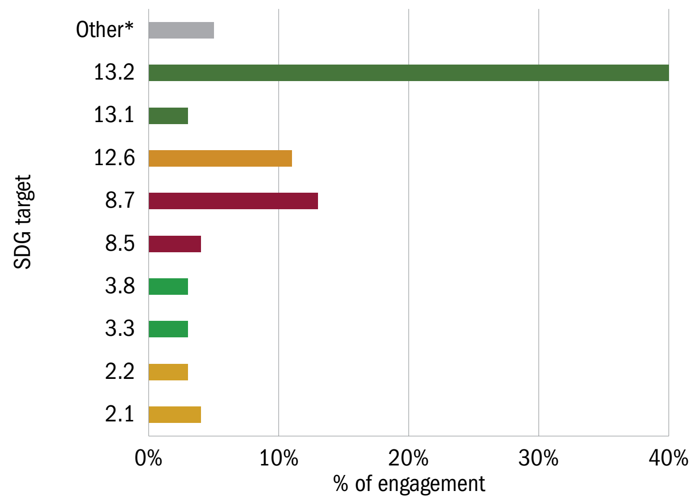
Engagement: SDG target level



Milestone: SDG level



Milestone: SDG target level



*Other represents SDG targets less than 2% of the relevant SDG Goal.

Engagement case studies

Company: Air Liquide SA	**Country:** France	**Sector:** Materials
Priority Company: -	**ESG Risk Rating:**	**Response to engagement:** Adequate
Theme: Climate Change	**Issue:** Net zero stratergy	
SDG: 13.2		

Background

Air Liquide is one of the world's leading industrial gas companies. Its primary products – atmospheric and process gases – serve a wide range of industries, including chemicals, energy, healthcare, food and beverage, and electronics. Industrial gas companies are amongst the largest GHG emitters within the chemicals industry. The industry's reliance on fossil fuels – as both an energy source and feedstock – is a primary concern. With the use of natural gas within hydrogen production forming a significant portion of Air Liquide's Scope 1 emissions, the continued push for advancements in Carbon Capture, Utilisation and Storage (CCUS) and electrolytic hydrogen technologies is key to the company decarbonising its operations.

Action

We have engaged with Air Liquide both collaboratively and privately through 2022 as we seek to better understand its roadmap towards carbon neutrality. The company's approach to achieving this is based on three levers: 1) use of renewable energy 2) carbon capture technology 3) managing assets (energy efficiency). With over 85% of its assets already electrified, access to reliable and affordable renewable energy is vitally important. Air Liquide also highlighted nascent technologies such as CCUS will be important in the interim. We were encouraged to hear this has been introduced at some of its sites as well as to others in its value chains. We were surprised to learn that Air Liquide did not expect to start reducing emissions until 2025. This delay attributed to projects in the pipeline that, whilst signed off, are yet to come into effect. We also discussed the importance of hydrogen in the energy transition. We were pleased to hear that Air Liquide does not view blue hydrogen as a long-term solution and, encouragingly, the company has multiple small scale electrolysis units globally. The company has also committed to investing c€8 billion in the low-carbon hydrogen supply chain by 2035.

Verdict

We continue to be impressed by Air Liquide's actions to reach carbon neutrality by 2050 – becoming the first in its industry to have its 2035 emissions reductions target validated by the Science Based Targets initiative (SBTi). Whilst we were concerned that corporate emissions will continue to rise until 2025, the reasoning aligns with the International Energy Agency's view that chemical sector emissions must peak in the next few years to stay on track with the Net Zero Emissions by 2050 Scenario. Finally, it is encouraging to hear that Air Liquide is working with SBTi as part of the expert advisory group on a project to develop a sectoral decarbonisation approach. The project will look to develop standardised methodologies over the next 12-18 months.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagement case studies

Company: Carlsberg AS	**Country:** Denmark	**Sector:** Consumer Staples
Priority Company: -	**ESG Risk Rating:**	**Response to engagement:** Poor
Theme: Human Rights, Labour Standards	**Issue:** Human Rights	
SDG: 8.7		

Background

Carlsberg has worldwide operations and an extensive supply chain in environments which exposes it to risks of human rights violations. However, its score on the Corporate Human Rights Benchmark (CHRB) - an assessment of companies' governance, processes, and remedy in line with core indicators of the UN Guiding Principles for Business and Human Rights - was 8.5 out of 26 points.

Action

We reached out to the company to question the low CHRB score, requesting a dialogue on how the human rights program is governed as well as what risk assessment and remediation processes were in place. We eventually secured a call with the Heads of ESG and responsible sourcing. The conversation was open about the program's challenges and adaptations since its inception. The company recognised that brand promoters working in hospitality could be at risk and developed a response program several years ago. It had also implemented a regular dialogue system to track working conditions. After making its existing human rights policy more concrete it conducted its first salient risk mapping process in 2020 supported by the Shift consultancy, a recognised expert organisation. The results helped focus monitoring on the highest risk areas and set an audit cadence tailored to supplier performance. We discussed assessing the effectiveness of the program to ensure that it would detect violations given site audits only provide a snapshot of conditions. We highlighted the value of a global anonymous grievance hotline. The risk mapping is currently being revised with a review underway which we were encouraged to learn includes third-party labour which can present additional risks and lower levels of transparency. While we believe the program is well structured, we discussed the role of audit quality assessments which the company acknowledged and said was being considered. We also urged improved disclosure and engagement with the CHRB. Finally, we asked whether contingency plans had any special provisions for conflicts in light of the war in Ukraine. There are currently no provisions, but the company uses the responsible sourcing policy as a guide. We were pleased to hear that all Ukrainian operations have resumed operations.

Verdict

The engagement was sparked by the low CHRB score which raised concerns over the company's governance, processes, and approach to addressing potential human rights violations in its operations and supply chain. However, after speaking with the ESG and responsible sourcing leads we feel that there is a robust programme to operationalise the policy commitments and conduct regular reviews to update risk developments. We expect that the next submission to the CHRB will score higher and give a fuller representation of the programme. We urged more attention to the quantitative reporting of key performance indicators to demonstrate the effectiveness of the action plans, potential changes in risk profile, links between procurement and human rights strategy.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

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Engagement case studies

Company: Teleperformance	**Country:** France	**Sector:** Industrials
Priority Company: -	**ESG Risk Rating:**	**Response to engagement:** Good
Theme: Labour Standards	**Issue:** Labour Standards	
SDG:	12 Responsible Consumption and Production 12.6	8 Decent Work and Economic Growth 8.5

Background

Teleperformance is a France-based telemarketing and tele-services provider. It is best known for providing content moderation services to big tech companies such as TikTok. The company has faced recent scrutiny regarding the alleged working conditions in its content moderation operations. This also brought to light issues regarding the company's workplace culture, employee satisfaction and anti-union allegations.

Action

Following the controversies, we spoke with Teleperformance's Global CSR Director and Secretary of the Board of Directors. Teleperformance did not confirm the media allegations and stated it maintains high employee engagement and satisfaction with Board level oversight of engagement metrics. The company also discussed its measures in place to protect the mental health of all its employees, not just content moderation employees, providing services such as resilience training and access to psychological support and wellness programmes. We outlined the importance of disclosing as much as possible in the companies' content moderation audit report to restore market and investor confidence regarding the companies' mitigation measures. On freedom of association, we encouraged the company to sign a labour neutrality agreement and disclose the proportion of employees covered by collective bargaining agreements to demonstrate their commitment and transparency to stakeholders.

Verdict

Overall, we did not get the impression that the Board level had sufficient oversight of each region's activity. Since our dialogue, Teleperformance has exited from the highly egregious part of the trust and safety business, met with the Colombian government, engaged with Colombia's Ultraclaro union and signed a global agreement with UNI Global Union. We will follow up with the company following the publication of its audit results and monitor the ongoing progress regarding labour standards.

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Engagement case studies

Company: Uber Technologies Inc	**Country:** United States	**Sector:** Industrials
Priority Company: -	**ESG Risk Rating:**	**Response to engagement:** Adequate
Theme: Labour Standards	**Issue:** Safety, political lobbying and undocumented migrant workers at Uber	
SDG: 8 DECENT WORK AND ECONOMIC GROWTH 8.5		

Background

Uber Technologies Inc is a US technology company which provides mobility as a service, with key business lines including ride-hailing, food delivery and freight transport. Uber has been subject to a series of ongoing social controversies, the most serious of which can be grouped into three categories: Firstly, Uber has been accused of neglecting the safety of riders, drivers and passengers, particularly with regards to incidents of sexual harassment. Investor visibility of Uber's management of this issue is obscured by the company's infrequent and partial reporting on this topic. Second, Uber's poor record on political lobbying in Europe came to light over the summer when a former executive leaked documents to the press, and the company continues to have a strong lobbying presence. Third, Uber has been exposed to public cases in Italy, Qatar & the Middle East, Netherlands and France on its link with undocumented migrant labour.

Action

We had a call with Uber's new head of ESG to discuss these three issues, and sent a follow up email to reiterate our expectations. On safety, we asked Uber to expand its disclosures from just its US ride-hailing operations to cover the other geographies and business units where Uber operates, and requested that Uber provide enhanced data on its management of safety incidents. On lobbying, we requested that Uber consider publishing detail on its lobbying principles, governance of lobbying, and disclosing direct lobbying activities and those through coalitions/trade associations which occur outside of the US. Uber's issues regarding undocumented migrant labour fall into two categories: issues with how Uber screens prospective workers, and issues with how Uber manages the social issues around ejecting vulnerable undocumented migrant workers from the labour pool. We would like Uber to provide additional detail on how it screens riders/drivers for undocumented migrant labour, how it tracks riders who use third party accounts, and how Uber seeks to manage the situation in a socially just manner when it discovers undocumented migrant workers in its rider pool.

Verdict

The company acknowledged our concerns and reflected that it is aware that the safety and lobbying issues are areas of concern for a number of investors. The undocumented migrant workers issue is a newer controversy for the company in its operations in Qatar & the Middle East, the Netherlands and France, and it seemed less prepared on this topic. We have since had positive communication on these issues with Uber's Head of ESG, but no concrete indication of intention to act on our recommendations as of yet. We will look to have another call in early 2023 with Uber, before potentially looking at escalation routes if the company continues to be slow to improve.

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

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Appendix

SDG	Target	Target Summary
SDG1	1.3	Implement social protection systems for all
SDG2	2.1	End hunger and ensure access to safe and nutritious food
SDG2	2.2	End all forms of malnutrition, particularly for children and women
SDG3	3.3	End AIDS, TB, malaria and other water-borne and communicable diseases
SDG3	3.4	Reduce mortality from non-communicable diseases and promote mental health
SDG3	3.7	Ensure global access to sexual and reproductive health-care
SDG3	3.8	Access to medicines and health-care
SDG3	3.9	Reduce deaths and illnesses from pollution and contamination
SDG5	5.1	End all forms of discrimination against women and girls
SDG5	5.5	Ensure full equality of opportunity for women, including at leadership levels
SDG6	6.3	Improve water quality by reducing pollution
SDG6	6.6	Protect and restore water-related ecosystems
SDG7	7.1	Ensure universal access to modern energy services
SDG7	7.2	Substantially increase the global share of renewable energy
SDG7	7.3	Double the global rate of improvement in energy efficiency
SDG8	8.2	Achieve greater productivity through innovation.
SDG8	8.5	Achieve full and productive employment for all
SDG8	8.7	Eradicate forced labour, modern slavery & human trafficking
SDG8	8.8	Protect and promote safe working environments for all workers
SDG9	9.1	Develop resilient and sustainable infrastructure
SDG9	9.4	Upgrade and retrofit industries to increase sustainability
SDG10	10.1	Achieve a higher rate of income growth for the bottom 40%
SDG10	10.2	Empower and promote inclusivity for all
SDG10	10.3	Ensure equal opportunity and legislation for all
SDG10	10.4	Adopt policies to progressively achieve greater equality
SDG10	10.a	Implement the WTO’s special rights provisions
SDG11	11.6	Reduce the negative environmental externalities of cities
SDG12	12.2	Sustainably manage and make efficient use of natural resources

Appendix (continued)

SDG	Target	Target Summary
SDG12	12.4	Manage chemical usage and waste throughout their life cycle
SDG12	12.5	Reduce waste through prevention, reduction, recycling and reuse
SDG12	12.6	Encourage companies to adopt sustainable practices and enhance ESG reporting
SDG13	13.1	Strengthen adaptive capacity to climate-related events
SDG13	13.2	Integrate climate change plans into policies and strategies
SDG13	13.a	Address climate change mitigation for developing countries
SDG14	14.5	Conserve at least 10 per cent of coastal and marine areas
SDG15	15.1	Ensure sustainable usage of terrestrial freshwater ecosystems
SDG15	15.2	Promote the implementation of sustainable management of forests
SDG15	15.5	Take urgent action to reduce degradation of natural habitats
SDG16	16.6	Develop effective, accountable and transparent institutions
SDG16	16.b	Promote non-discrimination laws for sustainable development